Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Sears Strikes Back

Major Overhaul Needed To Match Discounters

Nationwide DSN Report

Combined with Sears' earlier announcement that it would add more national name brand products to its stores, the new merchandising direction of the nation's largest retailer appears to take it into direct competition with discount stores and high-volume specialty chains.

Yet, there is confusion over whether Sears will really be a discounter and much doubt concerning its ability to lower operating costs enough to compete head-on against discounters on everyday prices of name brand goods.

Several of the discount industry's leading retailers—such as K mart, Hills and Bradlees—declined to comment on Sears' plans or its effect on

(Continued on page 37)

Sears is creating excitement through various experimental superstore formats: Its latest is the Homestore, recently opened in New York City. (DSN photo)

Venerable Giant Adopts Low-Price, Brand Focus

By Laura Liebeck

CHICAGO — Despite adopting a discount store-type everyday low pricing strategy for its 825 stores, Sears still is shunning the "D" word.

The nation's largest retailer, which this month unveiled sweeping changes in its merchandising strategy, flatly denied it is transforming itself from a general merchandise department store into a discount store operation.

Edward Brennan, chairman and chief executive officer, and Michael Bozic, chairman of Sears' merchandising group, told analysts in New York earlier this month that Sears will not become a discounter even though the Chicago-based chain will:

- Slash prices throughout its stores;

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Target's 'Bringing Christmas Home' promotion features singer Aretha Franklin, shown filming a commercial in Detroit, and 'Cosby Show' star Keshia Knight Pulliam.

Aretha Brings Christmas 'Home' in Target Promo

By Tony Lisanti

MINNEAPOLIS — Target Stores has unwrapped a Christmas promotional campaign with a little bit of soul that will generate a lot of sales.

Themed "Bringing Christmas Home," the program, which will debut on Nov. 25, the day after Thanksgiving, contains three components:

- A television and radio advertising blitz that showcases Aretha Franklin, popular rhythm and blues singer;
- A print campaign that features Keshia Knight Pulliam, who plays Rudy on "The Cosby Show" and Tweaks, Target's exclusive plush toy offering;
- Great Gifts, a special assortment of 22 gift items for the kitchen, car, home and travel all priced under $20.

"It's Target's largest Christmas campaign ever," said John Pellegrene, senior vice president of marketing for

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Christmas Shoppers Plan To Start Later, Spend Less

Nationwide DSN Report

Discounters will ring up fewer dollars than they hoped but more than they feared during the 1988 holiday season, according to Leo J. Shapiro, founder/chairman of Leo J. Shapiro & Associates, the Chicago-based consumer research firm.

This also will be the year when some of the discounters who have upscaled their operations will see if they have gone far enough to attract the department store customer, he said.

Specialty store retailers will do well this year, especially since they reflect the appeal of the department store, the retail outlet that really shines during the holiday season, said Shapiro.

Full-price department store operators tend to fare better than discounters during the holiday gift-giving season because consumers prefer to give gifts in wrappings from upscale stores, he

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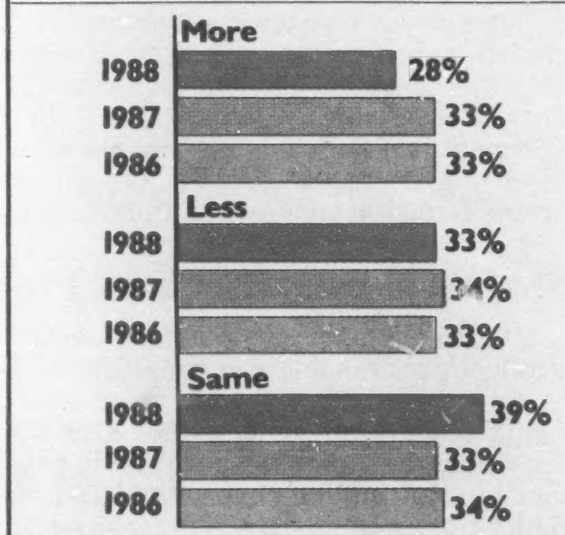
Best Sellers for the Christmas Season In Apparel and Toys—see stories, page 3

Consumer Shopping Mood For Christmas Season 1988

Consumers Said They Will Spend:



Source: Leo J. Shapiro & Associates, October 1988

ShopKo Presses Attack on Northwest

By Pamela Krein

EUGENE, Ore. — ShopKo Stores, the 87-unit, Green Bay, Wis.-based discounter, will stoke the competitive fires in the Pacific Northwest when it opens two stores here next fall.

The Oregon move expands ShopKo's penetration even deeper in the West. Last year, the chain made its debut in Washington state, and it will have four stores there by the end of this year. It also opened seven stores in Idaho and seven in Utah.

ShopKo's expansion into the territory coincides with the growth of Target in the Pacific Northwest. Target opened its first wave of stores here this summer, and the Minneapolis-based full-liner expects to be operating 35 stores in Washington and Oregon by 1993.

The two new entrants into the Pacific Northwest will

(Continued on page 35)

Watches Get Prime Time

Domestics in Forefront At Fisher's Big Wheel

Truck Accessories Roll On at Chains

MARKETWATCH

K mart Unveils Super K mart Units

TROY, Mich. — K mart unveiled on Nov. 13 its two Super K mart stores, which feature large grocery departments in a warehouse-type presentation, along with the discounter's regular general merchandise assortment. The two remodeled stores are in Kankakee, Ill., and Clinton, Iowa. Both units have added 23,000 square feet to house the new grocery department.

Price Club Completes A.M. Lewis Takeover

SAN DIEGO — Price Club has completed its $46.7 million tender offer for grocery wholesaler A.M. Lewis, and the membership warehouser will soon merge the acquired company with its A.M.L. Acquisition Inc. subsidiary.

Tuesday Morning Reaches 100-Store Mark

DALLAS — Tuesday Morning, the closeout retailer based here, opened its 100th store in late October, in Annapolis, Md. In all, five stores premiered that day, in Texas, Florida and Illinois. The company plans to grow about 15 percent a year in the near future. Tuesday Morning has created attention not only with its rapid expansion, but also its unique business style. The stores open only four times a year, in prime selling seasons, and are open to the public only six months out of the year. The store specializes in remainders and closeouts.

Price Savers Eyes Sacramento, San Diego

SALT LAKE CITY — Price Savers will invade more Price Club territory next year when the 16-warehouse chain based here moves into Sacramento and San Diego Counties. Price Club is currently the sole membership club operator in both cities. Although plans for the three sites are progressing, director of properties Bruce Van Horn said the company's restructuring process could affect future openings. Price Savers is being sold by its parent, Kroger, to a management-led team.

Ames Completes Zayre Acquisition

ROCKY HILL, Conn. — Ames Department Store officially completed its acquisition of 392 Zayre discount stores (four more than originally announced) for roughly $775 million (about $25 million less than originally announced). The final purchase price is subject to a year-end audit of the Zayre stores to be conducted next month.

Campeau Sells Off Children's Place

TORONTO — Completing its previously announced sell-off of eight Federated Department Store divisions, Campeau Corp. has sold Children's Place, the 161-unit specialty chain, to TCP Acquisition Corp. for $30 million, an amount significantly less than the approximately $75 million that Campeau was reportedly hoping to garner. Included in the deal is the 41-store Accessory Place, a women's wear chain, which will be owned by a new company formed by Tribeca Holdings Inc.'s New York-based investment banking unit, Tribeca Corp., which acted as adviser to TCP Acquisition. Tribeca currently owns and operates Lamston variety and Plymouth apparel stores.

Shareholders Tender Best Products Stock

RICHMOND, Va. — Ninety-eight percent of Best Product's shareholders at presstime tendered their stock to Adler & Shaykin, enabling the New York investment firm to carry out the "friendly" $1.1 billion acquisition of the cataloger. Adler & Shaykin will pay $27.50 per share for the 24.4 million shares tendered. Shareholders who didn't tender their stock will receive the same amount after all the legal and financial details of the deal are completed later this month or early in December.

K mart Creates Post for Nigolian

TROY, Mich. — K mart announced that Thomas H. Nigolian, 49, was promoted to senior vice president of store planning and interior design, a newly created position for the 28-year K mart veteran. William Underwood, 48, succeeds Nigolian as senior vice president, general merchandise, a position Nigolian held since January 1985. In his new position, Underwood will be responsible for merchandising all hard lines departments. The executive had been vice president, general merchandise manager for men's, boys', infants' and fashion accessories for K mart Apparel Corp.

Wholesale Club to Open No. 8 in Ohio

INDIANAPOLIS, Ind. — The Wholesale Club plans to open a 103,000-square-foot membership warehouse in Youngstown, Ohio, in spring 1989 as its eighth store in the Buckeye State. The company already has units in Columbus, Cleveland, Eastlake, Elyria and North Canton.

Office Club Readies Public Offering

Proceeds to Fuel Growth of 11-Store Chain

By Pamela Krein

CONCORD, Calif. — Office Club is going public. The office supply warehouse chain based here plans to issue 1.5 million shares that could provide net proceeds of up to $14.95 million to fuel further expansion for the 11-store chain.

The chain filed a registration statement with the Securities and Exchange Commission last month for the offering that should take place late this month. The going price is expected to range from $9 to $11 per share.

In its registration statement, Office Club said proceeds from the offering will be used to finance its growth in both new and existing markets—average preopening expenses run about $190,000 per warehouse. The chain operates 10 warehouses in California and one in Oregon. Four more sites will open in December and three more are presently planned for 1989.

Office Club said its warehouses average 16,000 square feet of selling space and stock 2,200 sku's of office supplies, office furniture, office machines and microcomputers. However, the chain said its top 650 sku's account for 85 percent of its total sales.

Like many offshoots of the membership warehouse club concept, Office Club has a membership policy, but is also open to the public and allows non-members to shop the store and pay 10 percent over posted prices. To give itself an edge in the market, Office Club also offers its members credit, delivery and telephone ordering services.

Through the first three months of its fiscal year, ended Sept. 30, 1988, Office Club had sales of $32.7 million, with average weekly sales per location at $131,000, and a net income loss of $2.28 million.

Since the company's inception in 1986, Office Club has showed a net loss each year. In its registration statement, the chain said it expects future opening costs will keep the chain in the red in 1988 and 1989.

OTASCO Brings Auto Biz to Halt

TULSA, Okla. — Unable to recover from the depression in the Oil Patch, OTASCO filed for Chapter 11 bankruptcy and shuttered all of its 170 remaining automotives and appliance stores.

OTASCO chairman and chief executive officer Jerry L. Goodman said the employee-owned company laid off 1,600 employees, retaining only a small staff at its headquarters to handle bankruptcy proceedings.

Goodman blamed the lack of bank financing to purchase Christmas inventory for its abrupt decision to halt all retail operations. Dissolution or partial dissolution, as well as resumption of business (possibly in the spring) are options for the 70-year-old company, he said.

"Our inability to fund Christmas inventory . . . was certainly the turning point for us," Goodman said in a prepared statement announcing the bankruptcy.

In its filing, OTASCO listed $187 million in assets and debts of $163 million.

In attempts to recover, OTASCO had taken a number of restructuring steps, including closing 42 money-losing stores last fall. In January, it sold to the Coast to Coast hardware chain its wholesale division for $7.5 million.

In June, the Atlanta-based Miller/Zell retail design firm took a "substantial equity" position in OTASCO. And the company this fall opened five stores of at least 10,000 square feet in size, including a 16,800-square-foot unit in Athens, Ala. As recently as October, OTASCO was operating 197 stores.

At its peak, OTASCO ran more than 600 company-owned and associate stores. It was the fourth-largest employee-owned company in the nation.

Revenues last year totaled an estimated $270 million, including wholesale and retail sales.

Modell's Unloads Full-Line Stores To Focus on Sports

EAST MEADOW, N.Y. — The Henry Modell Co. is getting out of the full-line discount store business and returning to its 99-year-old sporting goods roots.

It is closing all six of its Modell's Shoppers World discount stores on Long Island and diverting resources to sporting goods retailing. It sold one store and leased two others to Atlanta-based Home Depot. Next to the two leased sites, Modell leased back land to build two more Modell's Sporting Goods units of up to 20,000 square feet.

In addition, the company completed a sale-leaseback agreement with a real estate firm for a fourth store. Plans for the other two are undetermined. Started in 1889, Modell's claims to be the oldest family-owned sporting goods chain in the nation.

After opening nine stores this year, Modell's operates 29 sporting goods stores and plans to open 11 more in 1989, said president Michael Modell. Store sizes range from 15,000 square feet to 25,000 square feet and stock up to 20,000 sku's. Annual sales are between $50 million and $100 million.

Modell's Shoppers World still runs on the original discount store concept of leased departments. It operated only sporting goods and luggage.

DISC Award Deadline Extended

NEW YORK — *Discount Store News* has extended the deadline for entries in the 1988 DISC (Discounters In Service to the Community) award competition to Jan. 1, 1989. Instituted in 1979 by *DSN*, the DISC award recognizes the many outstanding community service efforts of the discount store industry.

To enter, submit documentation (including newspaper/magazine clippings, letters, videotapes, etc.) of community service achievements conducted between October 1987 and October 1988 to: DISC Award, Editor, *Discount Store News*, 425 Park Ave., New York, N.Y. 10022.

Each entry must include a statement of at least 100 words outlining the company's philosophy and strategy for its community service programs. Each entry must also contain four complete sets of materials for judging by a panel of experts from the discount store industry.

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Cautious Holiday Shoppers Plan to Start Later, Spend Less

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said, noting that "regardless of what's being bought, the box is important."

In a national survey of 450 consumers conducted in September and October, Shapiro found that consumers are cautious about spending money right now and are holding back on buying Christmas gifts.

They will, eventually, spend their money, and retailers will sell the inventories they've stocked for the season. The question is how long will retailers wait to put the merchandise on sale and exactly when will purchases be made. Consumers are playing a "wait and see game" with retailers, said Shapiro. Their mood is uneasy, according to survey results.

Why Consumers Will Spend Less on Christmas This Year

Have Less Money	15%
Buying Fewer Gifts	10%
Prices Too High	3%
Spent Too Much Last Year	3%

Source: Leo J. Shapiro & Assoc., October 1988

According to the survey, consumers are "somewhat less" excited about spending money on Christmas this year compared to 1986 and 1987.

Survey results reveal that in October, fewer consumers said they will spend more and fewer said they'll spend less on Christmas this year but that more of them will spend the same amount of money as they did in years past.

In October, only 28 percent of the consumers polled by Leo J. Shapiro & Associates reported they will spend more money on Christmas gifts this year than in 1987, down 1 percentage point from a September survey and down 5 percentage points from October 1986 and 1987.

One-third of the consumers said they would spend less money this season, down 3 percentage points from September, and down 1 percentage point from October 1987, but the same as 1986.

Nearly four out of 10 consumers polled said they would spend the same amount of money this year as last, up 5 percentage points from September, 6 points from last October and 5 points from 1986.

Of consumers who said they will spend more on gifts this year, the biggest reason, cited by 11 percent, was that they are buying more gifts. Slightly fewer cited price increases.

QR Grows Up; Conference Date Set

(Continued from page 3)

Bob Martin, Wal-Mart's senior vice president of corporate information systems, and co-chairman of QuickResponse 88.

Two studies detailing the costs and benefits of using UPC, EDI and shipping container scanning—technical factors that make up QR—will be released at the show.

The studies were commissioned by the Voluntary Interindustry Communication Standards committee, which is sponsoring the show with the Automatic Identification Manufacturers Inc.

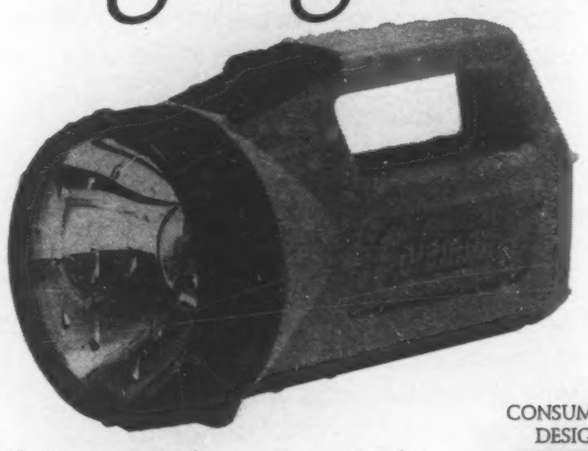
VICS is an ad hoc organization of retailers and vendors that has promulgated bar code and EDI standards. AIM is an association of manufacturers and suppliers of automatic identification systems.

QuickResponse 89 will use a two-track plan for its show. The first track on March 21 will focus on the technology for implementing QR, including bar code labeling and scanning and EDI. One session will present the study on cost benefits for retailers.

Track two on March 22 will center on implementation of QR systems. Sessions will include the study of cost benefits to vendors and case studies on QR implementation.

For info: AIM, 1326 Freeport Road, Pittsburgh, Pa. 15238. Phone: (800) 338-0206.

Light guard.



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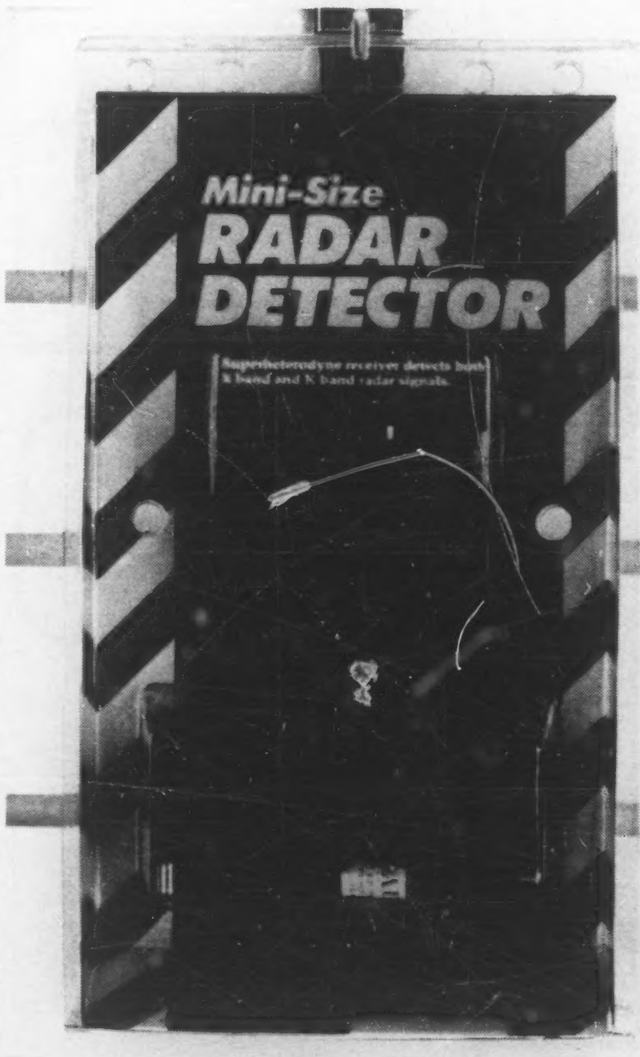
Maxon's New Clamshell Makes a Visible Difference

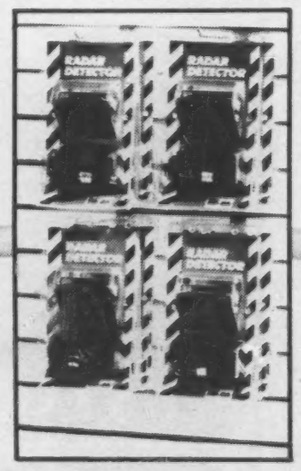


There's only one way to improve the Maxon RD-21A "Mini" Radar Detector…improve the display packaging. So that's just what we did.

Now it's in a compact, tamper/pilfer-resistant, show-and-sell clamshell package. This new clamshell measures only 6¼" × 11", with a 2¾" base—taking up a minimal amount of your "SKUseable" space. Sitting on the shelf or hanging on a display.

Best of all, your customers can SEE the actual product without opening or undoing anything. The package stays intact and the product, complete and undamaged.

Then, of course, inside there's the Maxon full-featured, mini-size RD-21A. This dual conversion superhet receiver detects X and K band police radar surveillance and alerts the driver within 1/8 of a second. Also featured are anti false alarm circuitry and City/Highway sensitivity selection.



See for yourself what a difference teaming the RD-21A with its new clamshell makes. Contact Maxon for all the details. Then place that first of many "on-the-clamshell" orders.

Maxon's RD-2A "Econo" detector is also available in clamshell packaging.

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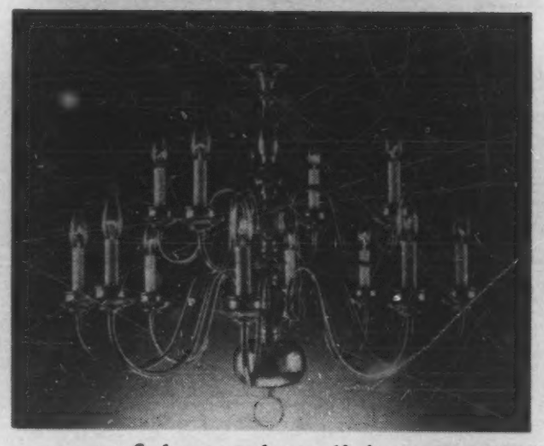

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Cable Operator Eyes Takeover of Acquisition-Minded CVN

(Continued from page 3)
federal bankruptcy court's approval of its agreement in principle with Cox Cable Communications, the nation's fifth-largest cable operator, to jointly own America's Shopping Network. CVN would hold 70 percent of ASN's stock and Cox 30 percent.

ASN, based in El Cajon, Calif., has been in Chapter 11 since May. The CVN/Cox agreement is the key element in a reorganization plan that ASN is due to submit to the court in San Diego at press-time. ASN airs local teleshopping shows on Cox systems in San Diego, New Orleans and Hampton Roads, Va., and on non-Cox stations in Atlanta and Tulsa, Okla.

CVN Cos. this week expects a federal bankruptcy court in Los Angeles to approve its operational takeover of The Fashion Channel, an apparel and accessories-oriented video retailer that has been in Chapter 11 since July. CVN Cos. has been operating TFC for the past two months (see *DSN*, Oct. 24, page 4) while the bankrupt teleshopper drew up the reorganization plan that will be filed with the court.

Already a $588 million company, CVN Cos. wants to add ASC and TFC to its stable of teleshopping programs as part of its drive to become a $1 billion retailer. The company's differentiated lineup would then include Cable Value Network as the national mass teleshopper, ASN as a localized programmer and TFC as a fashion specialty show.

CVN Cos. has recently augmented its core Cable Value Network operation by:

- Opening a new 550,000-square-foot East Coast distribution center in Suffolk, Va. The $22 million facility in southeast Virginia stocks all the merchandise sold on The Fashion Channel and serves as a regional DC for CVN.
- Expanding CVN's popular series of hour-long shows dedicated to a single major supplier. The latest vendor special featured Sharp Electronics, CVN's No.1 consumer electronics supplier.
- Adding a series of new entertainment-oriented programs to its schedule. These include "Sunrise Edition," a morning show with news and entertainment, and "Crosswords," a viewer-participation game show that awards prizes and discounts on merchandise to viewers who correctly solve a crossword-type puzzle. The latter show, broadcast off and on between noon and 3 p.m., has significantly boosted sales in that traditionally slow part of the day, an executive said.

CVN Cos.'s expansion moves came just as TCI disclosed its interest in possibly acquiring the teleshopper. In a 13D filing with the Securities and Exchange Commission, TCI reported that it has boosted direct holdings in CVN from about 14 percent to 17.24 percent by open market purchases of 527,000 shares for about $7 million.

TCI could acquire the rest of CVN Cos. for about $175 million, if bought at current stock prices, TCI president John Malone said. TCI's ownership of CVN Cos. would strengthen the Denver firm's position as the leading MSO and provide it with another revenue stream while ensuring continued cable operator control of and commitment to the CVN network.

TCI helped launch the Cable Value Network in opposition to the Home Shopping Network, which was started and continues to be controlled by interests outside the cable industry.

Malone said that TCI would like to own more CVN Cos. stock even if the cable company didn't control the teleshopper outright. CVN Cos. doesn't have any debt, but has a large tax burden so that changes in its capital structure could result in a large payout to whomever holds shares of the firm, he added.

CVN Cos. chairman Theodore Deikel declined to comment on the TCI filing.

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To: Our Manufacturers and Suppliers

Statement of Policy Concerning Gifts

We are taking this opportunity to restate our policy concerning gift-giving, not only during the forthcoming holiday season, but at all times of the year, on any occasion. Gifts, no matter how well intentioned by the donor, tend to shake the moral structure of the firmest business foundations by substituting subjective emotions and motives for objective judgment based on service, quality and price.

Accordingly, for the mutual protection of our suppliers, our employees and the Company, we prohibit our employees from accepting gifts, gratuities, payments or favors of any kind. Any gifts received by our employees will be returned to the donor or donated to charitable organizations. Our employees are advised that violation of this policy is considered to be a grievous matter.

We call upon you to assist us and our employees by refraining from giving or offering such gifts. Your awareness of and cooperation with this policy will foster the continuation of fair business practices that favor our close association.

Best wishes for a happy, healthy, holiday season and a prosperous New Year.

Maurice Segall
Chairman and Chief Executive Officer

John F. Levy
Group Executive

Poor Financial Results at Sears

(Continued from page 37)
7.6 percent to $7.49 billion, largely due to the sale of Western Auto, which Sears acquired earlier this year.

Through nine months, income in the general merchandise group declined 8.6 percent to $342.9 million, while revenues rose 6.5 percent.

Edward Brennan, Sears chairman and chief executive, predicted fourth quarter sales would improve but noted that it was unlikely Sears' total earnings will exceed last year's results.

Sears said it will take a $425 million after-tax charge in the fourth quarter and report a non-recurring net income of about $340 million in 1988.

In addition to merchandising changes, Sears will repurchase up to 40 million shares of its common stock, or about 10 percent of its 380 million shares outstanding, by mid-1989, and sell the Sears Tower, the Commercial Division of Coldwell Banker Real Estate, and two insurance divisions of its Allstate subsidiary.

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